

AMENDED IN ASSEMBLY JUNE 27, 2012

AMENDED IN SENATE APRIL 16, 2012

AMENDED IN SENATE MARCH 29, 2012

**SENATE BILL**

**No. 1513**

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**Introduced by Senator Negrete McLeod**

February 24, 2012

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An act to amend, *repeal, and add* Section 11797 of the Insurance Code, relating to the State Compensation Insurance Fund.

LEGISLATIVE COUNSEL'S DIGEST

SB 1513, as amended, Negrete McLeod. State Compensation Insurance Fund: investments.

Existing law requires the board of directors of the State Compensation Insurance Fund to invest and reinvest, from time to time, all moneys in the State Compensation Insurance Fund in excess of current requirements in the same manner as is authorized in certain provisions applicable to private insurance carriers. Existing law prohibits the board from investing or reinvesting in certain investments, including real estate and call options on common stock.

This bill would authorize, *only until January 1, 2025*, the board to invest or reinvest, an aggregated maximum of 20% of the moneys that are in excess of the admitted assets over the liabilities and required reserves, in specified investments, including the stock of certain corporations, specified mortgage-related investment instruments, and in the stock of a federal home loan bank. *The bill would require the Department of Insurance to submit to the Legislature by January 31, 2019, a report that assesses the benefit and risk of the State Compensation Insurance Fund's equities investment history by*

*measuring the volatility and total return of the fund's investment portfolio, as specified.*

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 11797 of the Insurance Code is amended  
2 to read:

3 11797. (a) The board of directors shall cause all moneys in  
4 the State Compensation Insurance Fund that are in excess of current  
5 requirements to be invested and reinvested, from time to time, in  
6 the same manner as provided for private insurance carriers pursuant  
7 to Article 3 (commencing with Section 1170) and Article 4  
8 (commencing with Section 1190) of Chapter 2 of Part 2 of Division  
9 1, but excluding Sections 1191, 1191.1, 1191.5, 1192.2, 1192.4,  
10 1192.6, 1192.7, 1192.9, 1192.95, 1192.10, 1194.7, 1194.8, 1194.81,  
11 1194.82, 1194.85, 1198, and 1199. Notwithstanding the foregoing,  
12 the State Compensation Insurance Fund may invest or reinvest an  
13 aggregated maximum of 20 percent of moneys that are in excess  
14 of the admitted assets over the liabilities and required reserves in  
15 the investments allowed pursuant to Sections 1191, 1192.4, 1192.6,  
16 1192.10, 1194.7, and 1198.

17 (b) (1) (A) Notwithstanding any other law, the State  
18 Compensation Insurance Fund may purchase general obligation  
19 bonds or other evidence of indebtedness issued by the state,  
20 including, but not limited to, warrants issued pursuant to Part 4  
21 (commencing with Section 17000) of Division 4 of Title 2 of the  
22 Government Code or notes issued pursuant to Part 5 (commencing  
23 with Section 17300) of Division 4 of Title 2 of the Government  
24 Code, in any amount and to enter into purchase contracts with the  
25 state for this purpose.

26 (B) Notwithstanding any other law, the State Compensation  
27 Insurance Fund may purchase Property Assessed Clean Energy  
28 (PACE) bonds, as defined in Section 26104 of the Public Resources  
29 Code.

30 (2) The bonds or other evidence of indebtedness specified in  
31 paragraph (1), upon delivery to the State Compensation Insurance  
32 Fund, shall, for all purposes, be valid and binding obligations of  
33 the issuer thereof, be validly issued and outstanding in accordance

with their stated terms, and not be deemed to be owned by or on behalf of the issuer thereof.

(c) *The Department of Insurance shall submit to the Legislature by January 31, 2019, a report that assesses the benefit and risk of the State Compensation Insurance Fund's equities investment history by measuring the volatility and total return of the State Compensation Insurance Fund's investment portfolio with and without equities. The report shall be submitted pursuant to Section 9795 of the Government Code.*

(d) *This section shall remain in effect only until January 1, 2025, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2025, deletes or extends that date.*

SEC. 2. *Section 11797 is added to the Insurance Code, to read:*

11797. (a) *The board of directors shall cause all moneys in the State Compensation Insurance Fund that are in excess of current requirements to be invested and reinvested, from time to time, in the same manner as provided for private insurance carriers pursuant to Article 3 (commencing with Section 1170) and Article 4 (commencing with Section 1190) of Chapter 2 of Part 2 of Division 1, but excluding Sections 1191, 1191.1, 1191.5, 1192.2, 1192.4, 1192.6, 1192.7, 1192.9, 1192.95, 1192.10, 1194.7, 1194.8, 1194.81, 1194.82, 1194.85, 1198, and 1199.*

(b) (1) (A) *Notwithstanding any other law, the State Compensation Insurance Fund may purchase general obligation bonds or other evidence of indebtedness issued by the state, including, but not limited to, notes issued pursuant to Part 5 (commencing with Section 17300) of Division 4 of Title 2 of the Government Code or warrants issued pursuant to Part 4 (commencing with Section 17000) of Division 4 of Title 2 of the Government Code, in any amount and to enter into purchase contracts with the state for this purpose.*

(B) *Notwithstanding any other law, the State Compensation Insurance Fund may purchase Property Assessed Clean Energy (PACE) bonds, as defined in Section 26104 of the Public Resources Code.*

(2) *The bonds or other evidence of indebtedness specified in paragraph (1), upon delivery to the State Compensation Insurance Fund, shall, for all purposes, be valid and binding obligations of the issuer thereof, be validly issued and outstanding in accordance*

- 1 *with their stated terms, and not be deemed to be owned by or on*
- 2 *behalf of the issuer thereof.*
- 3 (c) *This section shall become operative on January 1, 2025.*

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